

Fiscal Estimate Narratives

DHS 2/22/2012

LRB Number	11-4050/1	Introduction Number	SB-487	Estimate Type	Original
Description The provision of information regarding health care benefits provided to certain assistance program recipients					

Assumptions Used in Arriving at Fiscal Estimate

This bill proposes to expand the definition of third party payers who provide information to the Department. Currently, the Department completes data matches with third party payers and with Medicare as allowed under current law; this excludes self funded insurance plans, entities who administer benefits on behalf of another party, and disability insurance policies. A small percentage of self-funded insurers and disability policies voluntarily provide information on the individuals they insure through these data matches and some recipients self-report the presence of a third party payer of these types. This bill would require self funded insurance plans, entities who administer benefits on behalf of another party, and disability insurance policies to share information on insurance benefits with the Department. This information will allow the Department to expand its billing to third party payers who may be responsible for claims, and ensure that Medicaid and other public benefit programs administered by the Department are payers of last resort.

The Department has explored the possibility of expanding its efforts to identify pharmaceutical third party payers as described in this bill. The Department estimates the additional third party payers will result in the identification of a third party payer for 2,000 to 2,500 individuals per month. The Department will identify claims for these payers and bill the third party, with an estimated annual recovery of \$5 million to \$7 million AF (\$2 million to \$2.8 million GPR), prior to any administrative fees.

The Department anticipates the use of a vendor to perform the pharmaceutical third party identification and billing processes. The Department anticipates that administrative costs of these tasks will be approximately \$1.3 to \$1.7 million AF (\$880,000 to \$1 million GPR). Fees would be contingent upon the identification and successful billing of claims. The net savings to the Medicaid program would be between \$3.7 million and \$5.3 million AF (\$1.1 million to \$1.6 million GPR).

There are additional savings that may be achieved under this bill beyond the pharmaceutical amounts noted above. As the Department receives third party liability information for the additional entities included in this bill, recoveries and cost avoidance for non-pharmaceutical benefits costs would also be possible. Under current law, the Department will receive an estimated \$7.2 million AF (\$2.9 million GPR) in recoveries in SFY 12 and estimates it will identify \$62.4 million AF (\$25 million GPR) in benefits that could potentially be billed to third party insurers (cost avoidance). The eventual savings would be less than the amount of cost avoidance noted here; there is inadequate data in the state's system to calculate the specific amount owed by private third party insurance because each insurer has its own coverage limits. A third party may only cover a portion of the service presented for payments; Medicaid would cover the difference up to the Medicaid allowable amount. Therefore, current savings to Medicaid attributable to cost avoidance are less than \$62.4 million AF, but the exact amount is unknown.

Self-insured health care plans represent about 45% of the insurance market nationally. As noted above, the Department currently voluntarily receives some information about third party insurance from non-mandated third parties, but the relative amount of current information to the full amount is unknown. If it is assumed that the Department currently lacks information on 60% of self-insured, third party administrator, and disability policies, then the provisions of this bill could result in an additional \$2.7 million AF (\$1.1 million GPR) in recoveries each year. The Department estimates an additional \$23 million AF (\$9.2 million GPR) in costs potentially billable to third party insurance would be identified, but as noted previously, the final amount of savings would be less as third party insurance varies in its level of service coverage and the Medicaid program pays the remainder of fees.

The Department would need time to operationalize the third party billing for non-pharmaceutical claims and therefore, would not fully realize these savings until late in SFY 13 or SFY 14. The administrative costs associated with these recoveries are unknown at this time.

In summary, the Department estimates this bill would generate between \$3.7 million and \$5.3 million (\$1.1

million to \$1.6 million GPR) from pharmaceutical claims and may eventually generate additional savings from non-pharmaceutical claims.

Long-Range Fiscal Implications